

COMMONWEALTH OF PENNSYLVANIA

GAMING CONTROL BOARD

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IN RE: PENNSYLVANIA STATE UNIVERSITY'S PETITION TO
POSSESS SLOT MACHINES

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PUBLIC HEARING

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BEFORE: DAVID M. BARASCH, CHAIRMAN
Gregory C. Fajt; Richard C. Jewell; Peter
O'Toole; Keith R. McCall; Anthony J.
Moscato; William H. Ryan, Jr.; Ahmeenah
Young, Members
Jennifer Langan, Representing State
Treasurer's Office; Jorge Augusto,
Representing Secretary of Agriculture
Russell Redding, Robert Coyne, Representing
Secretary of Revenue Eileen McNulty

HEARING: Wednesday, November 16, 2016
10:00 a.m.

Reporter: Bernadette M. Black
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LOCATION: Pennsylvania Gaming Control Board
Strawberry Square Complex, 2nd Floor
Harrisburg, PA 17106

WITNESSES: Donna Quadri-Felitti, Mikael Ahlgren,
Michael Brignati

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CHAIRMAN:

We have one scheduled hearing today regarding Penn State University's Petition to Possess Slot Machines. Can I have the representatives from Penn State come forward? And before we begin, I'd like everyone from Penn State to please stand and spell your name for the Court Reporter.

MS. QUADRI-FELITTI:

Sure. Donna Quadri-Felitti, that's D-O-N-N-A, Q-U-A-D-R-I hyphen F-E-L-I-T-T-I.

MR. AHLGREN:

My name is Mikael Ahlgren, spelled M-I-K-A-E-L, A-H-L-G-R-E-N.

MR. BRIGNATI:

And Michael Brignati, M-I-C-H-A-E-L, B-R-I-G-N-A-T-I.

CHAIRMAN:

Okay. I would just ask you to stand and be sworn in by the court reporter, please.

WITNESSES SWORN EN MASSE

CHAIRMAN:

1 You may proceed.

2 MR. BRIGNATI:

3 Thank you. Mr. Chairman, and
4 Commissioners, thank you for consideration of our
5 Petition to Possess Slot Machines and Non-Electronic
6 Gaming Tables. I'm going to turn the presentation
7 over to our director for the School of Hospitality
8 Management program.

9 MS. QUADRO-FELITTI:

10 Thank you. Mr. Chairman, Commissioners,
11 designees, and administrators of the Control Board,
12 thank you very much for hearing us this morning. I am
13 confident that you all know a lot about the great
14 Pennsylvania State University, but you may not know as
15 much about the School of Hospitality Management in
16 which our Gaming Curriculum resides.

17 So, first of all, I'm pleased that we
18 share very much the tradition of the University to
19 serve not only the Commonwealth, but the profession of
20 hospitality management. And next year, the program
21 will celebrate its 80th anniversary. We are among the
22 four oldest programs in hospitality management in the
23 nation.

24 Ever since our founding, we have been
25 extraordinarily highly ranked. Both our undergraduate

1 degree program and our doctoral program is world
2 renowned for the research that it carries forward.

3 Now, hospitality, as you all know, is a
4 very broad field. And in the field, besides lodging
5 and food and beverage, there are many disciplines and
6 sectors that we serve, among them, of course, meetings
7 and events management which are so important to many
8 of our destinations and localities; real estate and
9 asset management, and of course, revenue, pricing and
10 distribution, which is a complicated part of our
11 field. And of course, gaming and casino management.

12 We have enjoyed much success in our
13 graduates, particularly of our undergraduate program,
14 in which over 70 dedicated hospitality employers come
15 to University Park every year to directly hire from
16 our graduate pool, and that placement for the last 10
17 years has been well above 90 percent.

18 I want to point out that the degrees
19 that we offer are truly in management. We place
20 students and graduates in our program, of which 9,244
21 are living strong, just from our degree program. We
22 place them in management and leadership positions. It
23 is not culinary or associate level technical skills,
24 but in managing and meeting in our complex and dynamic
25 profession.

1 So, at this point, I'm going to hand the
2 presentation over to my colleague, Mike Ahlgren, who
3 leads our gaming and casino management instruction.

4 MR. AHLGREN:

5 Thank you very much, and again, thank
6 you for hearing us today. Our casino management
7 emphasis, as we call it, is made up of four courses.
8 I teach an introduction to the casino industry. In
9 that class, I try to give the students an
10 understanding of the different games that are offered
11 in the casinos, the different jobs that are available
12 to the students.

13 We also teach a gaming operations
14 management course, a casino marketing course, in
15 addition to the gaming network. We have a casino club
16 that's part of the program, and we also provide ---
17 because we're located in central Pennsylvania as you
18 all know, we try to get the students out to actually
19 visit the casinos. And we do that both here in the
20 State of Pennsylvania and beyond. And I'll talk about
21 that a little bit later. To break down the courses
22 with a little bit more detail, the introduction
23 course, as I mentioned, compares and contrasts
24 repeater market casinos with integrated resorts like
25 you might see on the Las Vegas strip.

1 We give them an overview of the games
2 that generate the most revenue, and we give them an
3 idea of the different jobs that are available in both
4 integrated resorts and casino --- repeater market
5 casinos.

6 In my operations management course, we
7 use primarily case studies. So, we, for example, let
8 the students read problems that general managers would
9 be considering when operating casinos, such as should
10 they run their own food and beverage operations or
11 should they outsource that?

12 We talk about the different types of
13 promotional programs that casinos might be
14 considering. In the casino marketing class, we dive
15 deeper into that and we discuss database marketing
16 techniques, how we measure players by their
17 theoretical value. We contrast, you know, match play
18 offers, from discounting offers, from dead ship offers
19 and let the casinos --- or let the students understand
20 the math that the casinos use when they consider these
21 different approaches.

22 Lastly, but certainly not the least
23 important, is we have an issues in gaming course where
24 we talk about things like problem gambling. We
25 discuss whether, you know, smoking is something that,

1 you know, still need or not.

2 In other words, we try to tackle sort of
3 all the issues that lie beyond just sort of the
4 revenue side of the equation. We also have a casino
5 management group, and the idea there is that this
6 group really spearheads our trips, our outreach
7 efforts. The students are involved in fundraising.
8 They try to connect via this club to alums that we
9 have both around the state of Pennsylvania and beyond.
10 It also gives them the opportunity to, you know, put
11 some leadership experience on their resumes for when
12 they finish. And generally the feedback that we're
13 getting from the companies is that they really are
14 selecting students that are able to show that kind of
15 leadership experience.

16 Some examples of what we do in terms of
17 outreach. Every year now we've developed a great
18 relationship --- started with Bob DeSalvio at Sands
19 Bethlehem, and now it's moved to Mark Juliano. We
20 take the students to visit Sands Bethlehem every year.

21 Now they have actually provided us with
22 three internships every year. So, the students are
23 able to gain something that's very rare for
24 undergrads. They gain real operational experience at
25 a casino, which really helps separate them when

1 they're looking for jobs after they graduate.

2 We have a good relationship with Rivers
3 as well. We've spent time bringing students down to
4 the Hollywood Casino at Penn National Raceway. Every
5 year, we usually take two groups, one in the fall and
6 one in the spring, to Las Vegas. The fall trip
7 usually centers around the G2E Conference out there.
8 The students, through the American Gaming Association,
9 are given full passes to all the educational events
10 that occur during G2E, and they get to experience the
11 show and see all the fantastic new machines and
12 technology.

13 Probably every other year, we take the
14 groups to Atlantic City. And two years ago, and again
15 next spring in 2017, we'll be bringing a group of
16 approximately 10 students to Macau to see what is
17 going on over there in that part of the world.

18 I just wanted to give you an idea of how
19 the program works for some of our students. A couple
20 examples that I just wanted to talk about was, for
21 example, Greg Beddow (phonetic). I came to Penn State
22 in 2012, and one of the first students that I met was
23 Greg. And he came to me and he said he wanted to get
24 into the casino industry. And really through Bob
25 DeSalvio at Sands Bethlehem, we were able to secure

1 him an internship at Sands Bethlehem.

2 He was a pit clerk that summer, and
3 while being a pit clerk at night, he went to dealing
4 school. And then he was able to use that for the
5 following year, and he got a job dealing blackjack at
6 the Rio in Las Vegas.

7 After he graduated in 2015, he was hired
8 as a dealer at Wynn Las Vegas, and he spent about a
9 year doing that. Now he was recently hired by MGM
10 Resorts in National Harbor as a Table Games Floor
11 Supervisor, so he'll be coming back to the East Coast
12 which has always been his goal.

13 And eventually he would like to come
14 back actually to Pennsylvania. But that opportunity
15 he had in operations as a sophomore was extremely
16 valuable and really separated him from a lot of the
17 other students that were graduating from the
18 undergraduate program.

19 Cassie Miller, she grew up in
20 Pennsylvania, went through the hospitality program and
21 came to me actually as a junior, and we helped find
22 her an internship at the Cosmopolitan in Las Vegas.
23 She then used that experience to get a job at MGM,
24 through MGM through their management training program.
25 And she took a job in Slot Marketing. She's already

1 had two promotions, and she's now been named manager
2 of Slot Marketing for the Bellagio Resort in Las
3 Vegas.

4 Lastly, I wanted to mention Nick
5 Shellman (phonetic). He was a student that also came
6 to me in 2012. We helped get him an internship at the
7 Hollywood here in Pennsylvania. He has a --- his
8 fiancée was going through Penn State in the
9 educational program. And she was going to take a job
10 working in Harrisburg here, and so Nick wanted to stay
11 in PA from the beginning. So, he took an internship
12 in food and beverage at the Hollywood, then used that
13 experience and the connections he built there to get a
14 Slot Technician position which then led to a
15 Supervisor position. And now in 2016, he's been named
16 Slot Tech Assistant Manager at the Hollywood.

17 We really think, to sum this up to some
18 degree, that this Casino Lab will enhance our program.
19 We're not going to teach students how to, you know,
20 service slot machines, per se. We're not going to
21 actually teach students how to deal. But getting that
22 hands-on experience is going to make a really big
23 difference to our program, and I think make it come
24 alive.

25 When I try to teach games like Baccarat

1 or Craps now in front of the classroom, I do it via a
2 video screen, and it's just not that compelling. And
3 the ability to put students on games, to let them
4 touch, to feel it, to get a feel for what it means to
5 be a dealer or what it means to be operations, I think
6 will really help our program come alive.

7 MS. QUADRO-FELITTI

8 And in summary, I would just like to add
9 that is in keeping with the tradition at Penn State,
10 engagement with executives and leaders in the industry
11 through our trips and are outreach, but also
12 experiential learning, hands-on learning, is part of
13 the DNA of Penn State. And since 1937, it has been
14 part of the School of Hospitality Management. We
15 welcome you all to come and either dine in our
16 student-run restaurant or we hope in the future visit
17 our lab.

18 CHAIRMAN:

19 Thank you. Any questions from
20 Enforcement Counsel?

21 ATTORNEY STUART:

22 Glenn Stuart for the Office of
23 Enforcement Counsel (OEC). We have no questions and
24 no presentation, but --- and we have no objection to
25 what Penn State is asking for. We would just

1 recommend that the Board implement, at their
2 discretion, the conditions that we recommended in our
3 answer.

4 CHAIRMAN:

5 Any questions or comments from the Board
6 or Ex-Officio Members?

7 MR. MCCALL:

8 One quick question. Thank you, Mr.
9 Chairman. The reason we have you here and you are now
10 the second university in Pennsylvania that will be
11 operating a lab, is we are very concerned about
12 security.

13 And so I have no questions except, you
14 know, I want to take the opportunity to say to you
15 that security of the machines, limiting student access
16 to, you know, when there are supervisors there,
17 professors there, is of the utmost importance. I
18 mean, I don't have to tell you that, you know, once
19 this becomes known in the University, you know, there
20 will be students to say, you know, let's go have a few
21 beers and sneak into the lab tonight and play some
22 games. And those are the kinds of things that make us
23 nervous.

24 So, again, just a cautionary note, I
25 know you will put all the necessary bells and whistles

1 in place, but that's the one thing that we have the
2 most concern about. So, your presentation was great,
3 so glad to see you doing what you're doing. Thank
4 you.

5 MR. MOSCATO:

6 May I?

7 CHAIRMAN:

8 Please.

9 MR. MOSCATO:

10 Thank you, Mr. Chairman. Mike, during
11 your presentation, you mentioned something that kind
12 of caught my ear, that has been an issue, I guess. As
13 we go around speaking throughout the Commonwealth,
14 something that always comes up is smoking in casinos.
15 And you mentioned that. Bearing in mind, it's part of
16 2018 Clean Door In-air Act --- or Clean Indoor Air
17 Act, and we can't change it, what are your feelings on
18 smoking in casinos?

19 MR. AHLGREN:

20 Yeah. It's a complicated issue. I
21 mean, there's no question that evidence suggests that,
22 you know, smoking is helpful in terms of casino
23 revenues. You know, we see that over and over. You
24 see that here in the state, if you compare the side of
25 the casino in --- you know, in our casinos here in

1 Pennsylvania, if you compare the side that you can
2 smoke in to the side that you can't smoke in, there's
3 no doubt that that variable has a very positive on
4 coin in. You know, my --- if you want my personal
5 thoughts on it, I personally think the casinos would
6 be wiser to --- the quicker that they eliminate this,
7 the better for everyone because I think when you
8 really think about the long-term implications, I don't
9 think that the courts are going to be any easier on,
10 you know, industries that sort of maintain the smoking
11 in terms of judgments. I mean, I'm not --- I probably
12 shouldn't be speaking to the legal side of this, but
13 that is --- that's my opinion.

14 And I think, you know, that's where
15 we're headed anyway towards eliminating smoking, so
16 the quicker that we do it, maybe the better for
17 everyone.

18 But I understand. I'm very well aware
19 that that is going to have a negative impact on the
20 taxes that the state collects and the revenues that
21 the casinos generate short term. And we've seen that
22 now in Macao as well. So, I don't know if I'm
23 answering your question.

24 MR. MCCALL:

25 Macao is smoke free?

1 MR. AHLGREN:

2 Yeah. Absolutely. Amazingly, the
3 Chinese decided that on everything --- in some of
4 their high-end junket rooms, they're still allowing
5 some smoking. They're not really supposed to, but
6 they are. But on the mass market floor, there's no
7 smoking any more.

8 CHAIRMAN:

9 Thank you. I just want to make sure
10 there's no presentation from ---?

11 MR. AHLGREN:

12 We have no presentation. No, sir.

13 CHAIRMAN:

14 In that case, the vote on this will be
15 taken up later today under the Office of Chief Counsel
16 (OCC) section of the agenda. Now, we'll move on to
17 the regular agenda.

18 MR. AHLGREN:

19 Thank you.

20 MR. BRIGNATI:

21 Thank you for your time.

22 MS. QUADRO-FELITTI:

23 Thank you.

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25 HEARING CONCLUDED AT 10:10 A.M.

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CERTIFICATE

I hereby certify that the foregoing proceedings, hearing held before Chair Barasch was reported by me on 11/16/2016 and that I, Bernadette M. Black, read this transcript, and that I attest that this transcript is a true and accurate record of the proceeding.

Bernadette M. Black

Bernadette M. Black,
Court Reporter